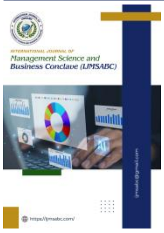
*International Journal of Management Science and Business Conclave (IJMSABC)*
Vol. 01, Issue 03, November- December 2025
P ISSN-:3108-2688
e ISSN -: ****-****



**International Journal of Management Science and Business Conclave (IJMSABC)**
https://ijmsabc.com/
P-ISSN-: 3108-2688
E ISSN-:****-****

RESEARCH ARTICLE

# Microfinance and Self-Help Groups ($\text{Shg}_s$): A Study on Women's Economic Empowerment in India

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**ARTICLE HISTORY**
Received: 11 November 2025
Accepted: 22 November 2025
Published: 29 November 2025

**CITATION**
Koppisetty S.K., (2025). Microfinance and Self-Help Groups ($\text{Shg}_s$): A Study on Women's Economic Empowerment in India, International Journal of Management Science and Business Conclave (IJMSABC), 1(3), 07-112. https://doi.org/

**Abstract**
*Microfinance and Self-Help Groups (SHGs) have emerged as core strategies for promoting women's economic empowerment in India. The SHG–Bank Linkage Programme (SHG-BLP), led by NABARD and DAY-NRLM, today represents one of the world's largest microfinance initiatives, covering millions of rural poor households, with an overwhelming share of groups formed exclusively by women. This paper examines the role of microfinance and SHGs in enhancing women's access to credit, savings, income-generating activities, asset creation, financial inclusion, and decision-making power within households and communities. Drawing on secondary data from government reports, impact evaluations, and recent empirical studies, the paper analyses how SHG participation affects income, employment, savings, asset ownership, mobility, and socio-political participation. Evidence from multiple states shows that SHG-based microfinance significantly improves women's income, financial inclusion, self-confidence, and bargaining power, though challenges remain in terms of over-indebtedness, unequal group performance, limited financial literacy, and persistent gender norms. The paper presents conceptual tables and diagrams on empowerment pathways and concludes with policy suggestions for strengthening SHGs as vehicles of inclusive and sustainable development. Findev Gateway+23ie+2*

***Keywords:*** *Microfinance, Self-Help Groups (SHGs), Women's Economic Empowerment, Financial Inclusion, Rural Development, India*

## 1. Introduction

Women's economic empowerment is widely recognized as a prerequisite for inclusive growth and sustainable development. In India, a large proportion of women, especially in rural areas, historically faced constraints such as limited access to formal credit, low asset ownership, restricted mobility, and weak bargaining power in households and markets. Microfinance and Self-Help Groups (SHGs) have emerged as key interventions to address these gaps.

An SHG is typically a voluntary group of about 10–20 women from similar socio-economic backgrounds who regularly save small amounts, create a common fund, and provide loans to members. Over time, these groups are linked to formal banks to access larger credit, a strategy institutionalized through the SHG–Bank Linkage Programme (SHG-BLP) launched in the early 1990s.

According to recent estimates, India has around 12 million SHGs, of which roughly 88 per cent are all-women groups, making it one of the largest platforms for women's collective finance and entrepreneurship in the world. Press Information Bureau+1 These SHGs provide access to microcredit, encourage savings, and support livelihood activities ranging from agriculture and livestock to tailoring, food processing, and small retail businesses.

This paper focuses on the nexus between microfinance, SHGs, and women's economic empowerment in India. It synthesizes recent evidence on how SHG participation influences women's income, financial inclusion, control over resources, and broader socio-economic outcomes.

## 2. Review of Literature

### 2.1 Concept and Evolution of Microfinance and SHGs in India

Microfinance refers to the provision of small loans, savings facilities, and other financial services to low-income clients who lack access to formal banking. In India, the SHG model evolved as a community-based approach where poor women pool savings and then access bank credit collectively. Reddy and Manak (2005) describe SHGs as "a keystone of microfinance in India," with strong emphasis on women's empowerment and social security. Findev Gateway

NABARD's SHG-BLP, initiated as a pilot in 1992, has scaled dramatically, with millions of SHGs linked to banks and accessing savings and credit facilities. NABARD+2World Bank+2 Government programmes such as Swarnjayanti Gram Swarozgar Yojana (SGSY) and its successor Deendayal Antyodaya Yojana–National Rural Livelihoods Mission (DAY-NRLM) have further mainstreamed SHGs as a central pillar of rural poverty alleviation and women's collectives.

### 2.2 Microfinance, SHGs, and Women's Empowerment

A large body of literature suggests that participation in SHGs improves women's economic and social status. Swain (2007) and subsequent studies find that SHG-based microfinance programmes in India have positive effects on income, consumption, and female empowerment indicators such as mobility, decision-making, and self-confidence. Findev Gateway+1

Systematic reviews covering multiple low- and middle-income countries, including India, report that women's economic SHGs generally enhance incomes, savings, and some dimensions of empowerment, although the magnitude varies by context and programme design. 3ie

More recent impact evaluations using panel data from Indian states confirm that SHG membership can significantly raise household expenditure, improve food consumption, and increase asset ownership, while also strengthening women's control over finances. Taylor & Francis Online+2ScienceDirect+2

### 2.3 Socio-Economic Impacts on Women

Studies across diverse regions—Assam, Bihar, Rajasthan, and West Bengal—report that women SHG members experience improvements in income, employment, savings, and participation in economic activities. RJPN Research Journal+3The Economics Journal+3ScienceDirect+3 SHGs often act as a platform for entrepreneurship, enabling women to start small businesses or expand existing ones. Recent reports indicate that women now own over 20 per cent of India's MSMEs, with SHGs and microfinance playing a catalytic role in fostering rural women's entrepreneurship. S M Sehgal Foundation

SHG participation has also been linked to enhanced social and psychological empowerment, including higher self-esteem, greater confidence to speak in public meetings, and increased participation in community decisions. The Economics Journal+1

### 2.4 Limitations and Concerns

Despite positive impacts, several studies highlight challenges such as unequal access to bank credit, varying group quality, limited financial literacy, and risk of over-indebtedness in some areas. banklinkage.lokos.in+2NABARD+2 Gender norms and intra-household power relations can also restrict women's control over loans and income, with male family members sometimes dominating financial decisions.

## 3. Objectives of the Study

1. To examine the role of microfinance and SHGs in promoting women's economic empowerment in India.

2. To analyze key economic outcomes associated with SHG membership, such as income, savings, asset ownership, and financial inclusion.
3. To identify social and psychological dimensions of empowerment achieved through SHG participation.
4. To highlight major challenges and policy recommendations for strengthening SHG-based microfinance as a tool for women's empowerment.

**4. Research Methodology**

This paper is descriptive and analytical in nature, based on secondary data.

- **Data Sources:**
  - Government reports and documents (e.g., NABARD's *Status of Microfinance in India*, SHG-Bank Linkage Programme reports, Economic Survey 2022–23). NABARD+2Press Information Bureau+2
  - Impact evaluations and journal articles on SHGs and women's empowerment in India. ScienceDirect+3PMC+3Taylor & Francis Online+3
  - Thematic studies on microfinance, women's entrepreneurship, and SHG-led livelihood programmes. Findev Gateway+2gjust.ac.in+2
- **Method:**

Relevant literature was reviewed and synthesized to identify common indicators of women's economic empowerment, major impact pathways of SHGs, and recurring challenges. Instead of primary data analysis, the study constructs conceptual tables and diagrams to systematically present findings from existing evidence.

**5. Conceptual Framework: SHGs and Women's Economic Empowerment**

**5.1 Pathways of Empowerment**

SHG-based microfinance can influence women's empowerment through several pathways:

1. **Financial Pathway** – Access to savings and credit increases women's ability to invest in income-generating activities, smooth consumption, and cope with shocks.
2. **Economic Pathway** – Enhanced income, employment, and asset formation strengthen women's economic security and bargaining power.
3. **Social Pathway** – Regular group meetings foster solidarity, information-sharing, and collective action.
4. **Political Pathway** – SHGs often link women to Panchayati Raj institutions and local governance, increasing their public participation. 3ie+2Taylor & Francis Online+2

**Table 1. Dimensions and Indicators of Women's Economic Empowerment through SHGs**

| **Dimension** | **Key Indicators (for a field study)** |
|---|---|
| Financial Inclusion | Number of bank accounts; ability to save regularly; access to formal credit; use of digital paym |
| Income and Employmen | Change in monthly income; number of income sources; hours of paid work |
| Asset Ownership | Ownership or co-ownership of land, house, livestock, equipment, and durable assets |
| Decision-Making Power | Role in decisions on loans, savings, major purchases, children's education, health care |
| Mobility and Networks | Ability to travel to markets/banks; participation in SHG meetings and trainings |
| Entrepreneurial Activity | Number and type of enterprises started; reinvestment of profits; business expansion |
| Self-Confidence & Voic | Comfort in speaking in meetings; participation in community groups; political engagement |

**Table 2. Selected Empirical Evidence on SHGs and Women's Economic Empowerment in India**

| Study / Year | Area / Sample | Main Findings on Empowerment |
|---|---|---|
| Swain & Varghese (2007) Findev Gateway | SHG programmes in India | SHG–Bank linkage increased women's income, savings, and decision-making power; positive impact on poverty reduction. |
| Deininger & Liu (2013) ScienceDirect | Women's SHGs in Andhra Pradesh | SHG participation improved consumption, nutrition, and schooling, with significant gains for poorer households. |
| Kumar et al. (2021) PMC | 1470 women from 5 states | SHG membership enhanced empowerment in agriculture, control over production decisions, and access to resources. |
| Raghunathan et al. (2023) Taylor & Francis Online | ~2500 households in 5 states | Positive impact of SHGs on household expenditure, asset ownership, and women's empowerment indicators. |
| Basak (2024) – Cooch Behar, WB ScienceDirect | Rural women SHG members | Improvement in income, savings, mobility, and community participation; SHGs act as agents of socio-economic change. |
| Singh & Seema (2023) The Economics Journal | Women ESHGs in Bihar | Economic, social, psychological, and political empowerment observed among SHG members. |
| Shekhawat (2025) RJPN Research Journal | Rural Rajasthan | SHGs significantly improved socio-economic conditions and confidence of women members. |

## 6. Discussion

Evidence suggests that microfinance and SHGs in India have a multi-dimensional impact on women's economic empowerment:

1. **Income and Livelihoods:**

Studies from Andhra Pradesh, Bihar, Rajasthan, and West Bengal consistently show that SHG participation leads to increased household income, diversified livelihoods, and more stable employment for women. RJPN Research Journal+3Taylor & Francis Online+3ScienceDirect+3 Many women start microenterprises such as tailoring, dairy, petty shops, or food processing units with SHG loans.

2. **Savings and Financial Inclusion**:

SHG members develop regular savings habits and gain access to formal bank accounts and credit, thereby moving from informal moneylenders to institutional finance. NABARD+1 Recent research also shows that SHG membership improves women's financial inclusion scores, including use of digital and formal banking services. Wiley Online Library

3. **Asset Formation and Economic Security**:

Some impact evaluations report higher asset ownership—such as livestock, small equipment, or improved housing—among SHG households, though the extent of asset formation varies by programme duration and loan sizes. Taylor & Francis Online+1

4. **Social and Psychological Empowerment**:

SHG meetings provide women with a platform for mutual support, information exchange, and collective action. Over time, this strengthens their self-confidence, public speaking skills, and ability to negotiate within the family and community. The Economics Journal+23ie+2

5. **Political and Community Participation:**

In many states, SHG federations have become important partners for government programmes, with SHG women serving as community resource persons, "Banking Correspondent Sakhis," or leaders in local institutions.

**However, the discussion must also note key challenges:**

- Some SHGs still lack adequate access to repeated bank credit; nearly half of SHGs have never received a bank loan in some regions. banklinkage.lokos.in+1
- Quality of SHGs is uneven—poor record-keeping, weak leadership, or elite capture can limit benefits.
- Women may not always retain full control over loans, with male relatives influencing or appropriating borrowed funds.

- Over-indebtedness risk arises when women simultaneously borrow from multiple institutions without adequate financial literacy. NABARD+1

**7. Policy Suggestions and Recommendations**

1. **Strengthen Financial Literacy and Business Skills**
   - Provide regular training on budgeting, interest calculation, digital banking, and enterprise management to SHG members.
   - Integrate livelihood and marketing support with credit to avoid debt without returns.
2. **Ensure Adequate and Timely Credit**
   - Encourage banks to follow inclusive lending norms under DAY-NRLM and reduce delays in sanctioning SHG loans. Press Information Bureau+1
   - Increase the size of repeat loans for consistently performing SHGs to enable graduation from micro to small enterprises.
3. **Improve SHG Quality and Governance**
   - Regular capacity-building for leaders and book-keepers.
   - Periodic social audits and peer review to minimize elite capture and ensure equitable access within groups.
4. **Promote Market Linkages and Value Addition**
   - Facilitate SHG collectives to access input markets, storage, processing, branding, and e-commerce platforms.
   - Align SHG activities with local value chains (dairy, food processing, handicrafts, etc.).
5. **Gender-Transformative Approaches**
   - Engage men and community leaders to support women's economic roles and share household responsibilities.
   - Promote joint asset ownership (e.g., house or land in joint names) to strengthen long-term security.
6. **Research and Data Systems**
   - Encourage more rigorous impact evaluations on long-term empowerment outcomes and inter-generational effects.
   - Use digital portals (like NRLM SHG–Bank Linkage portal) for real-time monitoring of credit, repayments, and livelihood outcomes. Press Information Bureau+1

**8. Conclusion**

Microfinance and Self-Help Groups have become a cornerstone of women's economic empowerment in rural India. The growth of SHGs, especially all-women groups, has significantly enhanced women's access to credit, savings, and entrepreneurship opportunities. Empirical evidence from multiple states indicates positive impacts on income, financial inclusion, consumption, and various dimensions of empowerment, including self-confidence, mobility, and participation in decision-making.

Yet, empowerment is neither automatic nor uniform. The depth and sustainability of benefits depend on SHG quality, adequacy of credit, accompanying capacity-building, and the broader socio-cultural context. Strengthening financial literacy, governance, and market linkages, while addressing gender norms, is crucial to ensure that microfinance translates into genuine and lasting empowerment.

Overall, SHGs represent not just a financial mechanism but a collective platform for women's agency, capable of transforming households, communities, and local economies when supported by enabling policies and responsive financial institutions.

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